HOUSING MARKET INFORMATION

HOUSING NOW

Canada

Canada Mortgage and Housing Corporation

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Canadian Market Overview.

New Home Market

Housing starts up in August

The seasonally adjusted annual rate[1] of housing starts was 211,100 units in August, up from 186,500 units in July.

After a brief pause in July, the volatile multiple segment bounced back to a level of activity that is more consistent with our forecast for this year. Most of the volatility in housing starts over the last three months reflected swings in multiple starts in Ontario.

Urban starts grew in August as both singles and multiples moved up

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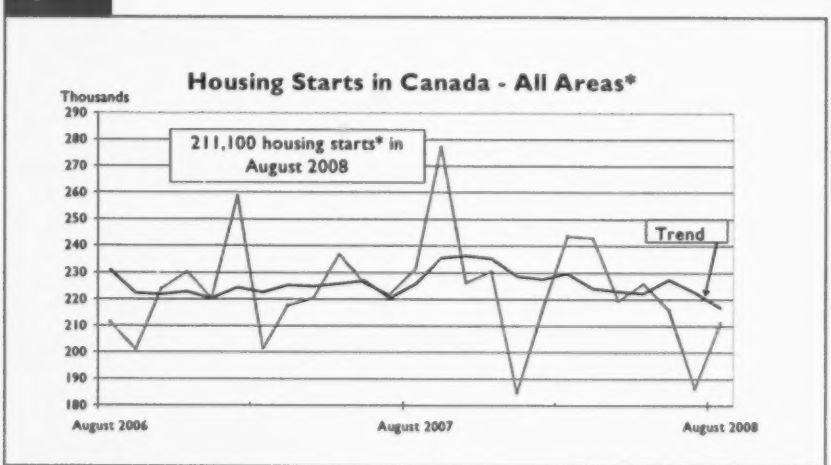
Figure 1



Source: CMHC

* Seasonally adjusted at annual rates
Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

[1] All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

Canada

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The seasonally adjusted annual rate of urban starts rose 15.2 per cent in August compared to July. Both urban multiples and singles moved higher, with an increase of 25.2 per cent for multiples to 114,700 units, and a 2.1 per cent increase for singles to 71,300 units.

Urban starts declined in four out of five regions

The seasonally adjusted annual rate of urban starts was down in every region except Ontario where housing starts jumped 81.0 per cent to 86,500. Urban starts sagged 22.5 per cent to 23,700 units in the Prairies and dropped 11.5 per cent in Atlantic Canada. Smaller declines of 8.7 per cent and 7.9 per cent were recorded in Quebec (37,600 units) and British Columbia (30,500 units) respectively.

Rural starts were estimated at a seasonally adjusted annual rate of 25,100 units in August[1].

Year-to date actual starts were down in August

For the first eight months of 2008, actual starts in rural and urban areas combined were down an estimated 4.8 per cent compared to the same period last year. Year-to-date actual starts in urban areas have increased by an estimated 1.0 per cent over the same period in 2007. Actual urban single starts for the January to August period of this year were 16.8 per cent lower than they were a year earlier, while urban multiple starts were up by 17.6 per cent over the same period.

Growth in new house prices continues to moderate

The New Housing Price Index (NHPI) increased by 2.7 per cent in July 2008 compared to a year ago. July marks the 6th consecutive month this year in which the rate of increase in the NHPI has decelerated.

Year-over-year prices increased in all centres across Canada, except for Edmonton (-5.3 per cent), Calgary (-0.3 per cent), and Victoria (-0.1 per cent) compared to last July. Double digit increases were seen in Regina (29.6 per cent), St. John's (24.3 per cent), and Saskatoon (13.1 per cent).

Existing Home Market

MLS®[2] sales and listings declined in August

Seasonally adjusted MLS® (Multiple Listing Service®) sales in Canada's major markets[3] decreased 3.4 per cent to 24,887 units in August 2008, compared to 25,774 units in July 2008.

Seasonally adjusted MLS® new listings in Canada's major markets dropped 5.3 per cent to 47,567 units in August 2008, compared to 50,341 units in the previous month.

Slowing price growth indicates balanced market conditions

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[4]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

Although Canada's existing home market has been in sellers' territory throughout most of this decade, a declining sales-to-new-listings ratio and slowing price growth this year now indicate a balanced market. The seasonally adjusted sales-to-

[1]CMHC estimates the level of rural starts for each of the three months of the quarter, at the beginning of each quarter. During the last month of the quarter, CMHC conducts the survey in rural areas and revises the estimate.

[2]Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

[3]The MLS® Major Markets include the following: Calgary, Edmonton, Halifax-Dartmouth, Hamilton-Burlington, Kitchener-Waterloo, London & St. Thomas, Mauricie & Trois-Rivières, Montréal, Ottawa-Carleton, Outaouais, Québec City, Regina, Saguenay-Lac St. Jean, Saint John, Saskatoon, St. Catharines District, St. John's, Sudbury, Thunder Bay, Toronto, Greater Vancouver, Victoria, Windsor and Winnipeg.

[4]Taking the Canadian MLS® Major Markets as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new- listings ratio is between these thresholds, the market is said to be balanced.

new-listings ratio for Canada's major markets was 52 per cent in August 2008, a slight increase from the previous three months. A re-examination of conditions in the existing home market indicates there has been a gradual shift toward balanced market conditions which has resulted in a slowing rate of growth in house prices.

The August seasonally adjusted average MLS® price in Canada's major markets was down 1.2 per cent to $322,164 compared to July 2008, while the unadjusted MLS® average price was down 4.0 per cent in August 2008 compared to a year ago. This decline is partly due to fewer sales compared to last August in Canada's four most expensive markets: Vancouver, Victoria, Calgary and Toronto.

Economic conditions

Employment increased by 15,200 jobs in August keeping Canada's employment rate at 63.4 per cent. The labour force also moved higher in August by 22,500 people which resulted in Canada's unemployment rate remaining at 6.1 per cent.

Month-over-month seasonally adjusted employment fell in three of the provinces between July and August. Alberta, Nova Scotia, and Manitoba registered declines with 4,200, 3,700, and 3,600 jobs lost respectively. The largest increases in employment were seen in Ontario (14,000 jobs), Saskatchewan (6,100 jobs), and Quebec (3,800 jobs).

For the 12 month period ending in August 2008, seasonally adjusted employment in Canada expanded by 1.3 per cent (224,200 jobs). Part-time employment has grown by 2.7 per cent while full time employment increased 1.0 per cent.

The Bank of Canada left the target for the overnight lending rate unchanged at 3 per cent on September 3rd. The Bank has reduced interest rates by a total of 150 basis points since December 2007. The Bank stated that the current level of its key policy rate remained appropriate given current economic conditions. The Bank of Canada's next interest rate policy announcement is scheduled for October 21st.

The Consumer Price Index (CPI) increased 3.5 per cent in August 2008 compared with the same month in 2007. This is the largest year-over-year increase in the CPI since March 2003. Higher gasoline prices continue to be the primary factor behind rising consumer prices.

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

Residential Mortgage Credit Continues to Grow in 2008

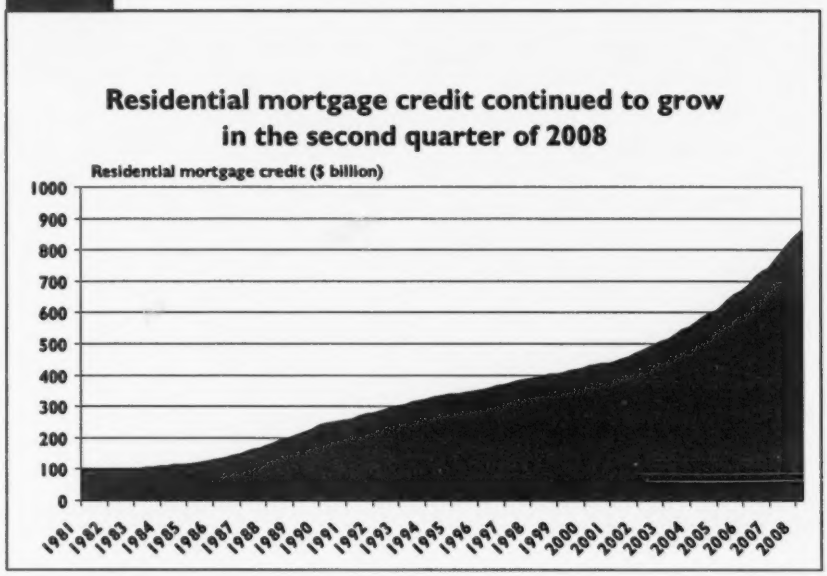
Residential mortgage credit increased by 12.7 per cent in the second quarter of 2008 compared to the second quarter of 2007 to reach $860.0 billion.

Stable employment and income gains, coupled with low mortgage rates in the second quarter of 2008, fostered growth in the mortgage market.

Short and medium-term fixed mortgage rates continued to decrease in the second quarter of 2008 having gone down by about 50 basis points. Thus, mortgage rates are still low by historical standards.

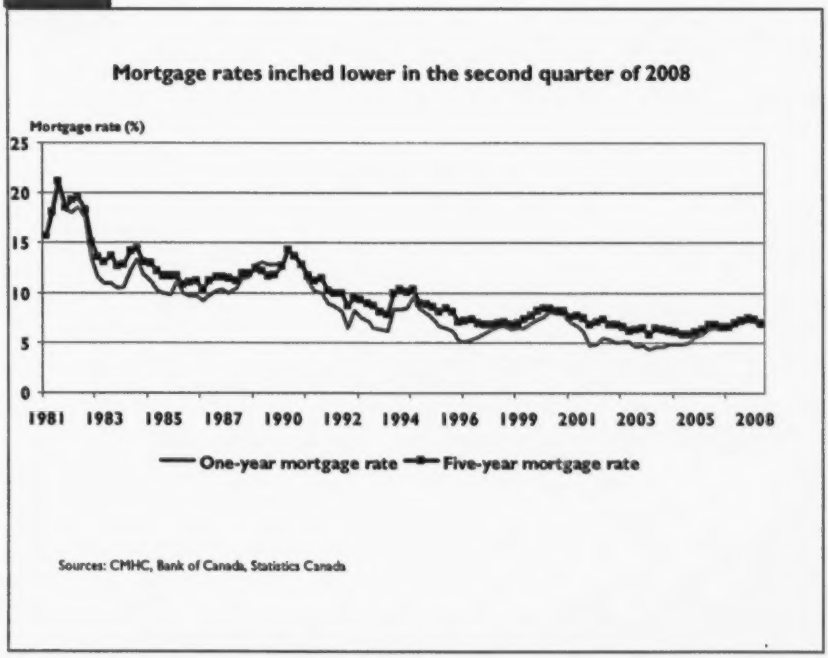
As house prices increased over the past several years, homeowners have been able to use the value of their home to increase the amount of equity available to finance their renovation projects. Strong renovation spending continues to contribute to increasing mortgage credit growth as households tend to renovate within the first three years following the purchase of a home.

Figure 3



Sources: CMHC, Bank of Canada, Statistics Canada

Figure 4



Sources: CMHC, Bank of Canada, Statistics Canada

High house prices supported mortgage credit in the second quarter of 2008

MLS® sales were down 13.6 per cent in the second quarter of 2008, compared to a year ago. In total, for the first half of 2008, MLS® sales are down 12.0 per cent compared to the same period in 2007. The average MLS® price in the second quarter of 2008 increased 1.8 per cent over the same period a year ago. The dollar volume of home sales fell by 11.8 per cent in the second quarter of 2008 compared to the second quarter of 2007. This is the second decrease since 2003, after the first decline registered in the first quarter of 2008. Indeed, for the first half of 2008, dollar volume of home sales has decreased 10.0 per cent compared to the first half of 2007.

Housing starts in the second quarter of 2008 moderated to 62,087 actual units, down 3.9 per cent compared to the second quarter of 2007. For the first half of 2008, housing starts remained relatively unchanged, 0.3 per cent increase, compared to the first half of 2007.

Market shares virtually unchanged

Chartered banks accounted for 72.5 per cent of the residential mortgage loans outstanding in the second quarter of 2008. Credit unions followed next with 16.7 per cent, as shown in the table below. Together, banks and credit unions comprise approximately 89 per cent of the share of residential mortgage credit. The overall shares have remained essentially unchanged when compared to the previous three quarters. ■

Share of the stock of residential mortgage credit by institution type (%) *

	2Q07	3Q07	4Q07	1Q08	2Q08
Banks	72.4	72.5	72.4	72.3	72.5
Trusts	1.4	1.4	1.5	1.5	1.5
Caisse & Cr. Unions	16.6	16.7	16.7	16.8	16.7
Life Ins. Co.	2.4	2.3	2.3	2.4	2.4
Pension Funds	2.2	2.1	2.2	2.3	2.2
Others **	5.0	4.9	4.8	4.8	4.7

* Excludes Special Purpose Vehicles and NHA MBS
** Includes non-depository credit intermediaries

Sources: CMHC, Bank of Canada, Statistics Canada

INDICATORS OF MORTGAGE LENDING ACTIVITY

Mortgage credit outstanding ($millions)*

	2006	2007	2Q07	3Q07	4Q07	1Q08	2Q08
TOTAL	699,281	779,315	763,172	793,093	819,698	838,352	859,964
% change (year-over-year)	*10.7*	*11.4*	*10.9*	*11.9*	*12.7*	*13.1*	*12.7*
Banks	409,005	445,807	442,073	454,222	461,217	464,724	473,952
Trusts	7,840	8,615	8,406	8,766	9,275	9,510	9,663
Caisse & Cr. Unions	94,105	102,853	101,269	104,526	106,620	107,773	109,114
Life Ins. Co.	14,597	14,791	14,762	14,618	14,830	15,302	15,533
Pension Funds	11,807	13,344	13,146	13,401	13,899	14,337	14,504
Others **	30,400	30,866	30,818	30,728	30,860	31,063	30,953
Special Purpose Vehicles	21,937	24,910	25,218	25,592	24,596	23,930	23,421
NHA MBS ***	109,590	138,130	127,480	141,241	158,402	171,712	182,824

* Average for the period, unadjusted
** Includes non-depository credit intermediaries
*** CMHC

NHA and Conventional Mortgage Loans Approved*

		2006	2007	2Q07	3Q07	4Q07	1Q08	2Q08
By Type of Lender								
Banks	$ millions	152,595	172,804	51,734	45,951	36,529	35,088	48,328
	Units	939,123	980,781	295,508	252,546	200,142	191,944	265,199
Trusts	$ millions	6,684	8,553	2,519	2,032	2,080	2,730	3,185
	Units	45,395	49,083	14,248	11,936	10,880	13,970	19,168
Life Ins. & Others	$ millions	30,148	36,892	10,646	8,889	8,632	10,464	13,523
	Units	236,247	258,682	74,279	61,296	60,030	70,065	89,409
TOTAL	$ millions	189,427	218,249	64,899	56,872	47,241	48,282	65,036
	Units	1,220,765	1,288,546	384,035	325,778	271,052	275,979	373,776

* Mortgage approval data are gross and may not fully capture lending activities of credit unions, caisses populaires, other smaller institutions and privately-insured loans in some areas.

Source: CMHC NHA loan approval system and Conventional Lending Survey

This Month's Housing Data (SAAR)

	2007	Q4: 07	Q1: 07	Q2: 08	M06: 08	M07: 08	M08: 08
Housing starts, units, 000s							
Canada. Total. All areas	228.3	214.0	234.4	220.1	215.9	186.5	211.1
Per cent change from previous period	0.4	-12.2	9.5	-6.1	-4.4	-13.6	13.2
Canada. Total. Rural areas	34.6	33.3	21.4	26.4	26.4	25.1	25.1
Per cent change from previous period	6.9	-8.5	-35.7	23.4	0.0	-4.9	0.0
Canada. Total. Urban areas	193.7	180.7	213.0	193.7	189.5	161.4	186.0
Per cent change from previous period	-0.7	-12.8	17.9	-9.1	-5.0	-14.8	15.2
Canada. Single. Urban areas	90.9	90.5	81.9	77.2	74.7	69.8	71.3
Per cent change from previous period	-3.5	-2.0	-9.5	-5.7	-7.8	-6.6	2.1
Canada. Multiple. Urban areas	102.9	90.2	131.1	116.5	114.8	91.6	114.7
Per cent change from previous period	2.0	-21.6	45.3	-11.1	-3.0	-20.2	25.2
Newfoundland. Total. All areas	2.6	3.0	2.8	3.0	2.8	1.8	3.1
Per cent change from previous period	18.6	15.4	-6.7	7.1	-22.2	-35.7	72.2
Prince Edward Island. Total. All areas	0.8	0.8	0.7	0.7	0.6	0.4	0.7
Per cent change from previous period	1.6	0.0	-12.5	0.0	-14.3	-33.3	75.0
Nova Scotia. Total. All areas	4.8	4.7	5.9	3.9	3.9	3.4	3.3
Per cent change from previous period	-3.0	-6.0	25.5	-33.9	14.7	-12.8	-2.9
New Brunswick. Total. All areas	4.2	4.1	4.4	4.6	4.6	3.2	3.8
Per cent change from previous period	3.8	-14.6	7.3	4.5	-14.8	-30.4	18.8
Quebec. Total. All areas	48.6	40.3	48.4	48.0	46.5	43.9	43.3
Per cent change from previous period	1.4	-26.6	20.1	-0.8	-10.2	-5.6	-1.4
Ontario. Total. All areas	68.1	64.7	78.7	78.6	82.0	59.2	89.8
Per cent change from previous period	-7.2	-11.7	21.6	-0.1	10.4	-27.8	51.7
Manitoba. Total. All areas	5.7	5.5	5.4	6.0	5.5	3.4	5.4
Per cent change from previous period	14.1	-5.2	-1.8	11.1	-20.3	-38.2	58.8
Saskatchewan. Total. All areas	6.0	5.6	6.8	8.2	10.8	4.7	5.3
Per cent change from previous period	61.7	-16.4	21.4	20.6	42.1	-56.5	12.8
Alberta. Total. All areas	48.3	43.0	41.9	29.4	23.6	29.0	22.9
Per cent change from previous period	-1.3	-14.5	-2.6	-29.8	-28.9	22.9	-21.0
British Columbia. Total. All areas	39.2	42.3	39.4	37.7	35.6	37.3	33.5
Per cent change from previous period	7.6	7.1	-6.9	-4.3	-8.5	4.8	-10.2

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2007	Q4: 07	Q1: 07	Q2: 08	M06: 08	M07: 08	M08: 08
Canada. Total. Urban areas	193.7	180.7	213.0	193.7	189.5	161.4	186.0
Newfoundland. Total. Urban areas	1.8	2.0	2.3	1.9	1.7	1.8	2.4
Prince Edward Island. Total. Urban areas	0.5	0.6	0.5	0.5	0.4	0.4	0.6
Nova Scotia. Total. Urban areas	3.3	3.2	4.9	3.1	3.1	3.3	2.1
New Brunswick. Total. Urban areas	3.0	3.0	3.0	3.3	3.3	3.2	2.6
Quebec. Total. Urban areas	40.9	34.2	43.5	41.8	40.3	41.2	37.6
Ontario. Total. Urban areas	62.8	60.1	75.9	74.7	78.1	47.8	86.5
Manitoba. Total. Urban areas	3.8	3.3	3.1	4.1	3.6	3.4	3.5
Saskatchewan. Total. Urban areas	4.8	4.5	5.0	5.7	8.3	4.9	3.3
Alberta. Total. Urban areas	38.5	32.8	37.9	25.0	19.2	22.3	16.9
British Columbia. Total. Urban areas	34.4	37.0	36.9	33.6	31.5	33.1	30.5

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2007	Q4: 07	Q1: 07	Q2: 08	M06: 08	M07: 08	M08: 08
New Housing							
New & unoccupied singles & semis, units 000s	6.0	6.2	6.8	7.3	7.4	7.3	7.6
Per cent change from same period previous year	16.1	8.1	10.0	19.9	26.8	35.7	37.4
New & unoccupied row & apartments, units 000s	8.6	9.1	9.3	8.9	8.8	9.1	9.0
Per cent change from same period previous year	3.0	1.5	7.3	12.3	5.5	4.7	3.0
New House Price Index, 1997=100	153.0	156.3	158.0	158.4	158.5	158.6	n.a.
Per cent change from same period previous year	7.7	6.2	6.3	4.3	3.5	2.7	n.a.
Existing Housing							
MLS® resales*, units 000s	524.2	507.4	473.0	464.4	466.4	466.4	n.a.
Per cent change from same period previous year	7.9	3.7	-10.5	-13.6	-13.8	-15.1	n.a.
MLS® average resale price**, $C 000s	305.7	317.4	314.0	309.8	307.0	303.2	n.a.
Per cent change from same period previous year	10.7	12.2	6.7	2.1	0.3	-1.8	n.a.
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	6.90	7.27	7.25	6.68	6.95	6.95	6.65
Posted 5-Year Mortgage Rate, % (period average)	7.07	7.46	7.29	6.93	7.15	7.15	6.85

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.
n.a. Figures not available
* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).
** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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